

Message Text

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ACTION ARA-10

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FOR ROGERS

EO 11652: N/A
TAGS: ETRD, CI
SUBJECT: CHILEAN VIEWS ON TRA

REF: LIMA 2069

1. DURING ASST. SEC. ROGERS' CONSULTATIONS WITH GOC OFFICIALS MARCH 11, FONMIN ECON DIRECTOR PEDRO DAZA PRESENTED AN ANALYSIS OF U.S. TRADE REFORM ACT WHICH THE ASST. SEC. ASKED HIM TO PROVIDE US IN MEMORANDUM FORM. INFORMAL EMBASSY TRANSLATION OF TEXT FOLLOWS:

2. BEGIN QUOTE. THE TRADE ACT OF THE UNITED STATES HAS BEEN ANALYZED BY THE MINISTRY OF FOREIGN RELATIONS, CONSIDERING BOTH THE PROVISIONS ESTABLISHING THE GENERALIZED SYSTEM OF PREFERENCES AND THE NORMS GOVERNING THE UNITED STATES IN THE TRADE NEGOTIATIONS IN GATT.

THE PRELIMINARY OBSERVATIONS RESULTING FROM THIS STUDY ARE AS FOLLOWS:

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1) GENERALIZED SYSTEM OF PREFERENCES

THE ENACTMENT OF THE GSP BY THE UNITED STATES IS A POSITIVE FACTOR. THE UNITED STATES THEREBY HAS JOINED THE OTHER INDUSTRIALIZED NATIONS THAT ALREADY HAVE IN EFFECT THIS MECHANISM. THE US SYSTEM, THE ENACTMENT OF WHICH AS MENTIONED PREVIOUSLY IS GENERALLY VIEWED AS POSITIVE, HAS SOME NEGATIVE AND SOME POSITIVE ELEMENTS. AMONG THE NEGATIVE ASPECTS ARE THE DISCRIMINATORY CHARACTER OF SOME OF ITS PROVISIONS, SUCH AS THE EXCLUSION OF OPEC MEMBERS AFFECTING TWO LATIN AMERICAN NATIONS.

THE MINISTRY OF FOREIGN RELATIONS HAS NOTED THE DISCRETION STIPULATED IN SECTION 503 CONCERNING INCLUSION IN THE GSP PRODUCT LIST. IN EFFECT, ADDITIONAL TO THE EXCLUSION OF SENSITIVE PRODUCTS, THERE IS THE GENERAL EXCLUSION PROVISION THAT GIVES TO THE SYSTEM A SENSE OF UNCERTAINTY. APPARENTLY THIS PROVISION HAS BEEN APPLIED TO EXCLUDE FROM THE LIST A GROUP OF PRODUCTS WHICH INTEREST CHILE. SOME WHICH HAVE SPECIAL INTEREST FOR US ARE BOTTLED WINE (22.05); MUSHROOMS AND TRUFFLES (07.07); COMMON SALT OR SODIUM CHLORIDE (25.01); MOLYBDENUM CONCENTRATES (81.02).

THE FAVORABLE ELEMENTS ARE APPARENT FROM A COMPARISON BETWEEN THE GSP OF THE U.S. AND THOSE INSTITUTED BY THE EEC AND JAPAN. IT CAN BE PROVEN THAT THE U.S. MECHANISM IS BROADER BOTH IN RESPECT TO PRODUCT COVERAGE AND TARIFF EXEMPTIONS GRANTED. THE U.S. SYSTEM CONTEMPLATES TOTAL ELIMINATION OF TARIFFS FOR COVERED PRODUCTS, SOMETHING NOT FOUND IN THE OTHER PREFERENCE SYSTEMS. MOREOVER, THE LIMITS ESTABLISHED BY THE EEC AND JAPAN, FOR EXAMPLE, ARE STRICTER THAN THE GENERAL \$25 MILLION LIMITATION IN THE U.S. LAW.

CONSIDERING THE EXPORT CAPACITY OF OUR COUNTRY, THE \$25 MILLION MAXIMUM EXPORT LIMIT FOR ELIGIBLE PRODUCTS APPARENTLY WOULD NOT AFFECT US INITIALLY. THIS IS ALSO THE CASE WITH THE 50 PC LIMIT ON THE VALUE OF IMPORTED PRODUCTS.

2) TRADE NEGOTIATIONS IN GATT

THE U.S. TRADE ACT ALSO REGULATES THAT COUNTRY'S TRADE NEGOTIATIONS IN GATT THAT WERE FORMALLY INITIATED IN TOKYO IN LIMITED OFFICIAL USE

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SEPTEMBER 1973. ALL THESE PROVISIONS HAVE SPECIAL IMPORTANCE SINCE THEIR APPLICATION AND THE RULES OF THE NEGOTIATION IN GATT WILL DETERMINE THE STRUCTURE OF INTERNATIONAL ECONOMIC RELATIONS OVER A LONG PERIOD. THE POSSIBILITY IS THEREBY OPEN FOR A BROAD NEGOTIATION WHICH, TO BE BENEFICIAL FOR LDCS, MUST CONTAIN AGREEMENTS WITH INDUSTRIALIZED COUNTRIES ON IMPORTANT MATTERS. BECAUSE OF THE PROVISIONS OF THE LAW THAT PERMIT THE U.S. EXECUTIVE TO TAKE INTO ACCOUNT THE ASPIRATIONS OF THE

DEVELOPING COUNTRIES, THE HELP OF THE USG IS OF SPECIAL IMPORTANCE.

AS A PRELIMINARY ANALYSIS IT IS POSSIBLE TO MENTION THE FOLLOWING POINTS WHICH WILL REQUIRE U.S. SUPPORT:

A) MAINTENANCE OF GSP AND THE MARGIN OF PREFERENCES

THE GATT NEGOTIATIONS FOLLOWING THE MFN PRINCIPLE COULD AFFECT AND EVEN ELIMINATE THE GSP. TO AVOID THAT SITUATION, THE DEVELOPING COUNTRIES SHOULD NOT INCLUDE IN THEIR NEGOTIATING OFFERS FOR MFN TREATMENT PRODUCTS INCLUDED IN THE GSP LIST.

AT THE SAME TIME EFFORTS SHOULD BE MADE TO HARMONIZE THE PROVISIONS OF THE GSPS USING THOSE PROVISIONS WHICH ARE MOST FAVORABLE. THE HARMONIZATION OF PROVISIONS WOULD BRING INTO EFFECT A REAL AND MEANINGFUL GSP.

B) MFN NEGOTIATIONS

DEVELOPING COUNTRIES BECAUSE OF THEIR LIMITED CAPACITY OF EXPORT HAVE FEW POSSIBILITIES TO PARTICIPATE IN THE MFN TARIFF REDUCTION NEGOTIATION.

THE U.S. TRADE ACT PROVIDES THAT CONCESSIONS NEGOTIATED IN THIS MANNER WILL BE APPLIED GRADUALLY OVER A 10 YEAR PERIOD.

THE LESS DEVELOPED COUNTRIES WOULD LIKE TO RECEIVE AS A GENERAL RULE THE FULL AND IMMEDIATE TARIFF EXEMPTIONS SO NEGOTIATED INSTEAD OF HAVING THE 10 YEAR PROGRAM APPLIED.

C) ELIMINATION OF N.T.B.'S

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IN THE ELIMINATION OF N.T.B.'S THE PRINCIPLE OF PREFERENCES IN FAVOR OF DEVELOPING COUNTRIES SHOULD BE APPLIED AS IT SHOULD BE IN TARIFF REDUCTIONS (ABOVE). MOREOVER, THE LAW PROVIDES THAT THE ELIMINATION OF N.T.B. CAN BE NEGOTIATED WITHIN THE GATT OR BILATERAL. CHILE BELIEVES THAT NEGOTIATIONS ON THE ELIMINATION OF N.T.B.'S SHOULD TAKE PLACE IN THE GATT.

D) SAFEGUARD PROVISION

THE U.S. TRADE ACT STATES THAT IT WOULD BE A PRINCIPAL OBJECTIVE OF THE U.S. IN NEGOTIATIONS TO REACH AGREEMENT ON INTERNATIONAL SAFEGUARD PROVISIONS.

CHILE BELIEVES THAT IN THIS MATTER THE CONCEPT OF PREFERENCES SHOULD BE ACCEPTED AND AN AGREEMENT SHOULD BE ADOPTED WHICH

EXCEPTS DEVELOPING COUNTRIES FROM THE APPLICATION OF SAFEGUARD
MECHANISM. END QUOTE.

3. SPANISH TEXT OF MEMORANDUM IS BEING POUCHED TO ARA/BC.
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